Facilitating Sub-regional Trade in South Asia: Bottlenecks and opportunities for Business

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Trade Facilitation: definition

- No exact and standard definition of Trade Facilitation
- WTO traditionally uses narrow definition
Why Trade Facilitation Reforms

- Positive co-relation with export performance
- Reduction in cost of doing business
- Productivity and competitiveness of exports
Trade Facilitation Indicators

i) Physical infrastructure

ii) Information and communications technology (ICT)

The other two indicators are more closely linked to the “soft” dimension:

iii) Border and transport efficiency and

iv) The business and regulatory environment.
TF indicators & South Asia

Source: Alberto Portugal-Perez, John S. Wilson
TF indicators and Asia & Pacific

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Due to absence of TF Mechanism; geography & proximity not utilized; obvious symptom is poor trading
Trade facilitation promotes connectivity?
Undefined parameters for TF hinder connectivity.

People
- Visas
- Immigration
- People transport—air, road, rail and sea
- ...

Transactions
- Tariffs
- Trade Agreements
- Finance
- ...

Trade
- Transport and Transit Agreements
- Cargo transport—sea, rail, road and air
- Finance
- ...

DATA
Connecting SA through broader TF Mechanism
Bottlenecks in Trade Facilitation

INVOLVING

**Commercial Procedures**
- Establish Sales Contract
- Order Goods or Services
- Advise On Delivery
- Request Payment

**Transport Procedures**
- Establish Transport Contract
- Collect, Move and Deliver Goods
- Provide Waybills, Goods Receipts, Status Reports etc.

**Regulatory Procedures**
- Obtain Import/Export Licences etc
- Provide Customs Declarations
- Provide Cargo Declaration
- Apply Trade Security Procedures
- Clear Goods for Export/Import

**Financial Procedures**
- Provide Credit Rating
- Provide Insurance
- Provide Credit
- Execute Payment
- Issue Statements
Trade bottlenecks in S. Asia

Political bottlenecks
Absence of political will as result of Typical Mindset, leading Trust deficit

Economic Bottlenecks
Direction of trade- only 5.8% intra-regional

Trade
Bilateral Agreements – efficient but parallel mechanism to SAFTA
Bottlenecks to TF in South Asia

- Non-functional and inadequate communication links
- Improper infrastructure & inadequate transportation for goods
- Non-availability of Banking facilities and Insurance
- Customs and Harmonization of Standards?
- Poor Supply Chain Management
- Inflexible Visa regime – SVES Scheme
- Non-Tariff Barriers on Goods
Sub-regional economic Cooperation in SAARC
Bangladesh, Bhutan, India, Nepal
TF & sub-regional initiatives in SA

**India- Bangladesh**
- Development of Petropole-Benapole Border
- Unloading of trucks within 200 meters inside instead of at the zero border point

**India- Nepal**
- Construction of a 550-km long India-Nepal trade route
- Check-post in East Chamaran District of Bihar
TF & sub-regional initiatives in SA

India- Bhutan

- Jaigaon-Phuentsholing border link through North Bengal operate 90% of Trade
- Northeastern entry points like Gelephu or Samdrup Jonkher are less convenient for large-scale trade but not adequately developed
TF-Benefits to Business

- Productivity factor - efficiency of customs
- Reduction in logistics cost by 30% to 40%
- Reduction in time in terms of delivery of goods from 8-10 days to 2-3 days
- Less number of documents - through ICT Applications
- Creation of jobs through efficient supply chain management - factory to consumer
- Ability to compete at International Markets
- Improve in intra-regional trade
- Trade creation and trade diversion
Achieving efficient TF Mechanism

- Transparency in regulations and procedures
- Understanding about business operations
- Consistency and predictability in the application of rules and procedures
- Appeal procedures
- Simplification of border procedures
- Risk Assessment – managing security
- Consultation with stakeholders
- Cooperation between Customs authorities and other border agencies

cont
Achieving efficient TF Mechanism

Encourage and promote ATA Carnet System
Facilitation of bonded warehouses
Ratification of TIR convention by member states
Un-interrupted cross-border movement
Implementation of Transit Trade Agreements in letter and spirit
Unleash trade through efficient TF Measures